

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Frankenmuth City-Township Commission	County Saginaw
Fiscal Year End 12/31/07	Opinion Date 03/27/2008	Date Audit Report Submitted to State 04/29/08	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	No issues at this time	
Other (Describe)	<input type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Gardner, Provenzano, Schauman & Thomas, P.C.		Telephone Number 989-790-3900	
Street Address 4855 State Street Suite Six		City Saginaw	State MI
		Zip 48603	
Authorizing CPA Signature 		Printed Name Heather A. Thomas	License Number 1101024719

FRANKENMUTH CITY-TOWNSHIP COMMISSION
Frankenmuth, Michigan

FINANCIAL STATEMENTS
December 31, 2007

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Gardner | Provenzano Schauman & Thomas

CERTIFIED PUBLIC ACCOUNTANTS

Frederick C. Gardner
Giacamo Provenzano
James R. Schauman
Heather A. Thomas

INDEPENDENT AUDITOR'S REPORT

March 27, 2008

Frankenmuth City-Township Commission
Frankenmuth, Michigan

We have audited the accompanying financial statements of the governmental activities of Frankenmuth City-Township Commission as of and for the year ended December 31, 2007, which comprise the Frankenmuth City-Township Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards prescribed by the State Treasurer. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Frankenmuth City-Township Commission as of December 31, 2007, and the respective change in financial position for the year then ended in conformity with generally accepted accounting principles in the United States of America and with applicable rules and regulations of the State Treasurer.

Frankenmuth City-Township Commission
Frankenmuth, Michigan
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The management's discussion and analysis and budgetary comparison information listed in the table of contents are not a required part of the basic financial statements, but are supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Gardner, Puvionemo, Schrauman & Thomas, P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

FRANKENMUTH CITY-TOWNSHIP COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Our discussion and analysis of the Frankenmuth City-Township Commission's (Commission) financial performance provides an overview of the Commission's financial activities for the fiscal year ended December 31, 2007.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Commission's basic financial statements. The Commission's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements – The government-wide financial statements are designed to provide readers with a broad overview of the Commission's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the Commission's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The Statement of Activities presents information showing how the Commission's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in the future fiscal periods.

Both of the government-wide financial statements distinguish between functions of the Commission that are principally supported by contributions from other governments and charges for services. The governmental activities of the Commission include general government, fire protection, cemetery, and debt services.

Fund financial statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Commission, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Commission are governmental funds.

OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Commission maintains four governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, fire, cemetery and debt service funds.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Commission's budget.

GOVERNMENTAL-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. In the case of the Commission, net assets increased by \$140,414 to \$896,201 at December 31, 2007.

Of the Commission's net assets (29%), reflects unrestricted net assets that may be used to meet the government's ongoing obligations. Net assets of (47%) reflect its investments in capital assets (e.g., building, equipment and furniture, land improvements and vehicles) less any debt used to acquire those assets that are still outstanding. The Commission uses these capital assets to provide service to citizens. Although the Commission's investment in its capital assets is

FRANKENMUTH CITY-TOWNSHIP COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

GOVERNMENTAL-WIDE FINANCIAL ANALYSIS (continued)

reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the Commission's net assets (24%) represents resources that are restricted for debt services.

As of December 31, 2007, the Commission is able to report positive balances in all three categories of net assets.

The following table provides a summary of the Commission's net assets at December 31:

	<u>2007</u>	<u>2006</u>
Assets		
Current assets	\$ 479,540	\$ 393,644
Noncurrent assets	<u>466,490</u>	<u>461,810</u>
Total Assets	<u>946,030</u>	<u>855,454</u>
Liabilities		
Current liabilities	49,829	49,835
Noncurrent liabilities	<u>-</u>	<u>49,832</u>
Total Liabilities	<u>49,829</u>	<u>99,667</u>
Net Assets		
Investment in capital assets-net of related debt	416,661	362,143
Restricted	265,347	180,370
Unrestricted	<u>214,193</u>	<u>213,274</u>
Total Net Assets	<u>\$ 896,201</u>	<u>\$ 755,787</u>

FRANKENMUTH CITY-TOWNSHIP COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

GOVERNMENTAL-WIDE FINANCIAL ANALYSIS (continued)

The following table provides a summary of the Commission's changes in net assets for the years ended December 31:

	<u>2007</u>	<u>2006</u>
Revenues		
Program revenue		
Charges for services	\$ -	\$ 690
Operating grants and contributions	254,704	290,870
General revenue		
Unrestricted investment earnings	18,903	16,546
Contributions for debt service	129,560	135,672
Total Revenues	<u>403,167</u>	<u>443,778</u>
Program Expenses		
General government	49,858	68,823
Fire protection	113,226	98,619
Cemetery	3,438	3,025
Interest on long term debt	4,183	6,249
Depreciation	92,048	87,397
Total Program Expenses	<u>262,753</u>	<u>264,113</u>
Change in Net Assets	140,414	179,665
Net Assets-Beginning	755,787	576,122
Net Assets-Ending	<u>\$ 896,201</u>	<u>\$ 755,787</u>

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

General Fund

The fund balance remained basically unchanged in 2007. During 2007, an emergency alert system was installed to alert City and Township residents via automated phone messages of potential weather and other emergency situations. This cost was paid by the City/Township Commission general fund. Also, a key-lock system was installed to the Public Safety Building for added accountability and security.

Fire Fund

Fund balance decreased by \$3,847. A federal grant of \$49,400 was received to purchase a vehicle exhaust system in the fire truck garage area for personnel safety. This grant paid for 95% of the cost.

FRANKENMUTH CITY-TOWNSHIP COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS (continued)

Cemetery Fund

The cemetery fund has begun setting aside funds in anticipation of future land expansion. During the year ended December 31, 2007, \$4,000 was added for a total of \$8,000 for the land expansion plans.

Debt Service

Fund balance increased by \$84,977. The Commission is reserving \$80,000 annually toward a future fire truck purchase. During 2007, a purchase agreement was signed for a new fire truck at a cost of 202,983. This vehicle will be delivered in the later part of 2008, and will be paid for with no debt being incurred.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund Budgetary Highlights

The Commission made revisions to the original appropriations as approved by the Board.

Management believes the variances in the first to final budget for revenue were not significant.

Significant budget variances from the first to final budget in expenditures are as follows:

Outside Services: The early warning system was paid from the general fund at a cost of \$8,350. This cost was originally to be paid jointly by the City of Frankenmuth, Frankenmuth Township, and the City/Township Commission but was paid by the general fund. The general fund is funded by the City of Frankenmuth and Frankenmuth Township based on their relative taxable values.

Management believes the variances in the final budget to actual results for revenue were not significant.

Significant budget variances from the final budget to actual results in expenditures are as follows:

Repairs & Maintenance: The roof repairs in the amount of \$5,765 were reclassified to capital outlay from maintenance. Maintenance provided by the City of Frankenmuth DPW was \$5,200 less than anticipated.

FRANKENMUTH CITY-TOWNSHIP COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

CAPITAL ASSETS

The Commission's investment in capital assets for its governmental activities as of December 31, 2007, amounted to \$466,490 (net of accumulated depreciation). This investment in capital assets includes equipment and furniture, land improvements, vehicles, and a building. Significant capital assets additions this year were a new roof, an exhaust system and firefighting equipment.

DEBT ADMINISTRATION

At the end of the fiscal year, the Commission had total debt of \$49,829 on an installment note for a fire truck.

CURRENT KNOWN FACTS:

During 2008, approximately \$33,000 of repairs and updates to the public safety building has been budgeted. These repairs include painting the interior and exterior of the building, adding an energy efficient lighting system and replacing several doors.

The fire department will take delivery of a new fire truck fully paid by previously budgeted funds and refurbish one other truck. The final debt payment for the pumper purchased in 2001 will be made and there will be no outstanding debt.

A small grant has been requested from the Michigan Department of Natural Resources for hose replacement.

REQUEST FOR INFORMATION

This report is designed to provide a general overview for anyone interested in the Commission's finances. Questions concerning this report should be addressed to: Treasurer, Frankenmuth City-Township Commission, P.O. Box 245, Frankenmuth, MI 48734.

BASIC FINANCIAL STATEMENTS

Frankenmuth City-Township Commission
Government-wide Statement of Net Assets
December 31, 2007

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Cash	\$ 462,809
Prepaid expenses	16,731
Total Current Assets	<u>479,540</u>
Noncurrent Assets	
Net capital assets	466,490
Total Noncurrent Assets	<u>466,490</u>
Total Assets	<u>946,030</u>
LIABILITIES	
Noncurrent liabilities	
Due within one year	49,829
Total Noncurrent Liabilities	<u>49,829</u>
NET ASSETS	
Invested in capital assets, net of related debt	416,661
Restricted	265,347
Unrestricted	214,193
Total Net Assets	<u>\$ 896,201</u>

The accompanying notes are an integral part of these financial statements.

Frankenmuth City-Township Commission
Government-wide Statement of Activities
For the Year Ended December 31, 2007

Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants and Contributions	Net (Expenses) Revenue and Changes in Net Assets
Governmental activities:				
General Government	\$ 49,858	\$ -	\$ 64,735	\$ 14,877
Fire protection	113,226	-	184,786	71,560
Cemetery	3,438	-	5,183	1,745
Interest on Long Term Debt	4,183	-	-	(4,183)
Depreciation (unallocated)	92,048	-	-	(92,048)
Total governmental activities	<u>\$ 262,753</u>	<u>\$ -</u>	<u>\$ 254,704</u>	<u>(8,049)</u>
General Revenues:				
Unrestricted investment earnings				18,903
Contributions for debt principal payments				<u>129,560</u>
Total general revenues				<u>148,463</u>
		Change in net assets		140,414
		Net assets - beginning		<u>755,787</u>
		Net assets - ending		<u>\$ 896,201</u>

The accompanying notes are an integral part of these financial statements.

Frankenmuth City-Township Commission
Combined Balance Sheet-All Fund Types
As of December 31, 2007

Governmental Fund Types					
	General	Fire Fund	Cemetery	Debt Service	Totals
Assets					
Current Assets					
Cash	\$ 10,140	\$ 139,242	\$ 48,080	\$ 265,347	\$ 462,809
Prepaid expenditures	4,625	12,106	-	-	16,731
Total Assets	<u>\$ 14,765</u>	<u>\$ 151,348</u>	<u>\$ 48,080</u>	<u>\$ 265,347</u>	<u>\$ 479,540</u>
Liabilities and Fund Balance					
Reserved	\$ -	\$ -	\$ -	\$ 265,347	\$ 265,347
Undesignated	14,765	151,348	48,080	-	214,193
Total Fund Balance	<u>\$ 14,765</u>	<u>\$ 151,348</u>	<u>\$ 48,080</u>	<u>\$ 265,347</u>	<u>\$ 479,540</u>

The accompanying notes are an integral part of these financial statements.

Frankenmuth City-Township Commission
Reconciliation of the Balance Sheet
to the Statement of Net Assets
December 31, 2007

Fund balances of governmental funds	\$ 479,540
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources; and therefore, are not reported in the funds.

Cost of the capital assets	2,239,098
Accumulated depreciation	(1,772,608)

Long-term liabilities, including bonds payable, are not due and payable in the current period; and therefore, are not reported in the funds.

Installment note due	(49,829)
Net assets of governmental activities	<u>\$ 896,201</u>

The accompanying notes are an integral part of these financial statements.

Frankenmuth City-Township Commission
Combined Statement of Revenues, Expenditures
and Changes in Fund Balance-All Governmental Fund Types
For the Year Ended December 31, 2007

	General	Fire	Cemetery	Debt Service	Total
Revenues					
City of Frankenmuth	\$ 48,237	\$ 93,168	\$ 3,864	\$ 96,587	\$ 241,856
Township of Frankenmuth	16,498	31,806	1,319	32,973	82,596
Township of Tuscola	-	3,600	-	-	3,600
Federal grant	-	49,400	-	-	49,400
Interest	404	5,802	3,259	9,438	18,903
Donations	-	6,812	-	-	6,812
Total Revenues	<u>65,139</u>	<u>190,588</u>	<u>8,442</u>	<u>138,998</u>	<u>403,167</u>
Expenditures					
Auditing and accounting services	1,125	-	-	-	1,125
Wages and payroll taxes	3,875	23,532	2,696	-	30,103
Operating supplies	385	5,603	-	-	5,988
Insurance	8,045	14,777	-	-	22,822
Telephone	2,842	-	-	-	2,842
Repair and maintenance	12,987	30,635	262	-	43,884
Utilities	12,249	-	-	-	12,249
Gas and oil	-	2,222	-	-	2,222
Capital outlay	15,519	81,209	-	-	96,728
Dues and subscriptions	-	878	-	-	878
Training and education	-	7,146	-	-	7,146
Outside services	8,350	506	-	-	8,856
Other	-	4,167	-	-	4,167
Equipment Rental	-	-	480	-	480
Firemen physicals	-	1,426	-	-	1,426
Pager rental	-	2,334	-	-	2,334
Professional services	-	20,000	-	-	20,000
Principal payments on note	-	-	-	49,838	49,838
Interest	-	-	-	4,183	4,183
Total Expenditures	<u>65,377</u>	<u>194,435</u>	<u>3,438</u>	<u>54,021</u>	<u>317,271</u>
Excess (deficiency) of revenues over expenditures	(238)	(3,847)	5,004	84,977	85,896
Fund balance, beginning	15,003	155,195	43,076	180,370	393,644
Fund balance, ending	<u>\$ 14,765</u>	<u>\$ 151,348</u>	<u>\$ 48,080</u>	<u>\$ 265,347</u>	<u>\$ 479,540</u>

The accompanying notes are an integral part of these financial statements.

Frankenmuth City-Township Commission
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Statement of Activities
For the Year Ended December 31, 2007

Net change in fund balances --total governmental funds	\$ 85,896
Amounts reported for governmental activities in the statement of activities are different because:	
Capital assets used in governmental activities are not financial resources; and therefore, are not reported in the funds.	
Depreciation expense	(92,048)
Capital Outlay	96,728
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds.	49,838
Change in net assets of governmental activities	<u>\$ 140,414</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

FRANKENMUTH-CITY TOWNSHIP COMMISSION NOTES TO FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies

The City of Frankenmuth and the Township of Frankenmuth formed the Frankenmuth City-Township Commission (Commission) on April 5, 1960, to manage jointly owned property and equipment. Both entities appoint two council members to serve as Commissioners. Funding from each entity is based upon a pro rated share of the budget from a percentage calculated by dividing each entity's state equalized value at December 31 by the total state equalized value of the two entities combined at December 31.

The accounting policies of the Commission conform to U.S. generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies.

The Reporting Entity

As required by U.S. generally accepted accounting principles, the financial statements of the reporting entity include only those of the Frankenmuth City-Township Commission (the primary government.) The Commission does not have any component units.

Basis of Presentation

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the activities of the Commission. The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Contributions and other items not properly included among program revenues are reported instead as general revenues.

Fund Accounting

The accounts of the Commission are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its assets, liabilities, fund balance, revenues and expenditures. The various funds are grouped as follows in the financial statements.

FRANKENMUTH-CITY TOWNSHIP COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies (continued)

Fund Accounting (continued)

Governmental Funds

General Fund – The general fund is the general operating fund of the Commission. It is used to account for all financial resources except those that are required by law to be accounted for in another fund.

Special Revenue Funds – Special revenue funds account for specific governmental revenues requiring separate accounting because of legal or regulatory provisions or administrative actions.

Debt Service Funds – Debt service funds are used to record the payment of debt principal, interest, and related cost.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the Statement of Net Assets, and the Statement of Activities presents increase (revenue) and decrease (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or within sixty days thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for debt principal and interest, which are reported when due.

FRANKENMUTH-CITY TOWNSHIP COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies (continued)

Measurement Focus/Basis of Accounting (continued)

The revenues susceptible to accrual are charges for service, interest income and contributions.

Budget and Budgetary Accounting

The Commission uses the following procedures in establishing the budgetary data reflected in the financial statements:

1. An annual budget is prepared by the Commission's Treasurer and is approved at the December board meeting.
2. After approval, the budget is sent to both the City and Township of Frankenmuth for final approval of revenues.
3. The budget is amended throughout the year as needed.

Cash and Cash Equivalents

Cash includes demand deposits and certificates of deposit. The Commission considers all short-term investments purchased with a maturity of three months or less to be cash equivalents.

Prepaid Items

Prepaid balances are for payments made by the Commission in the current year to provide services occurring in the subsequent fiscal year.

Capital Assets

Capital assets, which include equipment and furniture, land improvements, vehicles, and a building are reported in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

FRANKENMUTH-CITY TOWNSHIP COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 1--Summary of Significant Accounting Policies (continued)

Capital Assets (continued)

Assets capitalized have an original cost of \$1,000 or more and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Building	15 years
Equipment and furniture	3-12 years
Land improvements	12-20 years
Vehicles	8 years

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the Commission or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect amounts reported in the financial statements. Actual results could differ from those estimates.

FRANKENMUTH-CITY TOWNSHIP COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 2--Cash

The Commission is legally authorized to deposit and invest in the following:

1. In bonds, securities and other obligations of the United States or agency or instrumentality of the United States.
2. In certificates of deposit, saving accounts, deposit accounts, or depository receipts of a bank which is a member of the FDIC, a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration.
3. In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after the purchase date.
4. In United States government or federal agency obligation repurchase agreements.
5. In banker's acceptance of United States banks.
6. In obligations of the state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
7. In mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

All of the funds of the Commission operate through common cash checking and savings accounts. Each fund's share of the balance is reported separately. The bank balance of deposits at December 31, 2007, was \$286,735 with \$5,735 in checking and \$281,000 in a corporate sweep account. In addition, the balance of CD's was \$184,489. The FDIC insures up to \$100,000 in demand deposits; however, separately named accounts of a governmental entity in a single financial institution may not necessarily be treated as separate deposits for the \$100,000 limitation. The FDIC does not insure the corporate sweep accounts.

The Commission is authorized, by the State of Michigan, to deposit its funds in banks, savings and loan associations, or credit unions having a principal office in Michigan.

The commission's deposits are categorized below according to level of credit risk:

- Category 1 represents the Commission's insured or collateralized deposits with securities held by the Commission or by its agent in the Commission's name.
- Category 2 represents the Commission's collateralized deposits with securities held by the pledging financial institution's trust department or agent in the Commission's name.

FRANKENMUTH-CITY TOWNSHIP COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 2—Cash (continued)

- Category 3 represents the Commission's uncollateralized deposits including any bank balances that are collateralized with securities held by the pledging financial institution's trust department or agent but not in the Commission's name.

A summary of cash and investments follows:

	Category			Bank	Carrying
	1	2	3	Balance	Amount
Checking	\$ 5,735	\$ -	\$ -	\$ 5,735	\$ (2,680)
Corporate sweep	-	-	281,000	281,000	281,000
Certificates of deposit	100,000	-	84,489	184,489	184,489
Totals	<u>\$ 105,735</u>	<u>\$ -</u>	<u>\$ 365,489</u>	<u>\$ 471,224</u>	<u>\$ 462,809</u>

NOTE 3--Capital Assets

Depreciation expense was not charged to activities as the Commission considers its capital assets to impact multiple activities and allocation is not practical.

	Balance January 1, 2007	Additions	Disposals	Balance December 31, 2007
GOVERNMENTAL ACTIVITIES				
Capital assets subject to depreciation				
Equipment and furniture	\$ 287,295	\$ 84,732	\$ -	\$ 372,027
Land Improvements	30,027	-	-	30,027
Vehicles	1,288,872	-	-	1,288,872
Building	536,176	9,296	-	545,472
Construction in progress	-	2,700	-	2,700
Subtotal	<u>2,142,370</u>	<u>96,728</u>	<u>-</u>	<u>2,239,098</u>
Accumulated Depreciation				
Equipment and furniture	51,136	36,415	-	87,551
Land Improvements	7,691	2,000	-	9,691
Vehicles	1,136,304	50,591	-	1,186,895
Buildings	485,429	3,042	-	488,471
Subtotal	<u>1,680,560</u>	<u>92,048</u>	<u>-</u>	<u>1,772,608</u>
Net governmental capital assets	<u>\$ 461,810</u>	<u>\$ 4,680</u>	<u>\$ -</u>	<u>\$ 466,490</u>

FRANKENMUTH-CITY TOWNSHIP COMMISSION
NOTES TO FINANCIAL STATEMENTS

NOTE 4--Long-Term Debt

The following summarizes long-term debt transactions:

	Balance Beginning	Additions	Reductions	Balance Ending	Current Portion
Fire truck installment purchase contract, 4.18% interest, due 12/01/08	\$ 99,667	\$ -	\$ 49,838	\$ 49,829	\$ 49,829
	<u>\$ 99,667</u>	<u>\$ -</u>	<u>\$ 49,838</u>	<u>\$ 49,829</u>	<u>49,829</u>

The annual requirements to pay future principal and interest are as follows:

Year Ended	Principal	Interest	Total
December 31, 2008	\$ 49,829	\$ 2,118	\$ 51,947
Total	<u>\$ 49,829</u>	<u>\$ 2,118</u>	<u>\$ 51,947</u>

The interest expense for 2007 was \$4,183

NOTE 5--Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2007, the commission carried commercial insurance for the above listed risks of loss.

NOTE 6--Reserved Fund Balance

The Debt Service fund balance is reserved for future debt service payments.

REQUIRED SUPPLEMENTAL INFORMATION

Frankenmuth City-Township Commission
Required Supplemental Information-General Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2007

	Original Budget	Final Budget	Actual	Over (Under) Budget
Revenues				
City of Frankenmuth	\$ 48,327	\$ 48,327	\$ 48,237	\$ (90)
Township of Frankenmuth	16,498	16,498	16,498	-
Interest	1,500	1,500	404	(1,096)
Total Revenues	<u>66,325</u>	<u>66,325</u>	<u>65,139</u>	<u>(1,186)</u>
Expenditures				
Auditing and accounting services	1,650	1,650	1,125	(525)
Wages and payroll taxes	3,875	3,875	3,875	-
Operating supplies	1,000	1,000	385	(615)
Insurance	9,000	9,000	8,045	(955)
Telephone	1,250	2,850	2,842	(8)
Repair and maintenance	25,000	25,200	12,987	(12,213)
Utilities	12,000	12,000	12,249	249
Capital outlay	7,500	10,025	15,519	5,494
Outside services	4,550	10,150	8,350	(1,800)
Other	500	500	-	(500)
Total Expenditures	<u>66,325</u>	<u>76,250</u>	<u>65,377</u>	<u>(10,873)</u>
Excess (deficiency) of revenues over expenditures	-	(9,925)	(238)	9,687
Fund balance, beginning	15,003	15,003	15,003	-
Fund balance, ending	<u>\$ 15,003</u>	<u>\$ 5,078</u>	<u>\$ 14,765</u>	<u>\$ 9,687</u>

See accompanying notes to financial statements.

Frankenmuth City-Township Commission
Required Supplemental Information-Fire Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2007

	Original Budget	Final Budget	Actual	Over (Under) Budget
Revenues				
City of Frankenmuth	\$ 93,168	\$ 93,168	\$ 93,168	\$ -
Township of Frankenmuth	31,806	31,806	31,806	-
Township of Tuscola	4,600	4,600	3,600	(1,000)
Federal grant	-	-	49,400	49,400
Interest	3,500	3,500	5,802	2,302
Donations	-	-	6,812	6,812
Total Revenues	<u>133,074</u>	<u>133,074</u>	<u>190,588</u>	<u>57,514</u>
Expenditures				
Wages and payroll taxes	26,374	26,374	23,532	(2,842)
Operating supplies	4,500	5,300	5,603	303
Insurance	18,450	18,450	14,777	(3,673)
Repair and maintenance	20,000	20,000	30,635	10,635
Gas and oil	2,000	2,200	2,222	22
Capital outlay	240,000	290,800	81,209	(209,591)
Dues and subscriptions	1,500	1,500	878	(622)
Training and education	5,500	7,200	7,146	(54)
Transportation	250	250	-	(250)
Outside services	900	900	506	(394)
Other	11,800	11,950	4,167	(7,783)
Firemen physicals	1,800	1,800	1,426	(374)
Pager rental	3,000	3,000	2,334	(666)
Professional services	20,000	20,000	20,000	-
Total Expenditures	<u>356,074</u>	<u>409,724</u>	<u>194,435</u>	<u>(215,289)</u>
Excess (deficiency) of revenues over expenditures	(223,000)	(276,650)	(3,847)	272,803
Other Financing Sources (Uses)				
Bond proceeds	40,000	40,000	-	(40,000)
Transfer in	160,000	160,000	-	(160,000)
Total Other Financing Sources (Uses)	<u>200,000</u>	<u>200,000</u>	<u>-</u>	<u>(200,000)</u>
Excess (deficiency) of revenues and other financing sources over expenditures	(23,000)	(76,650)	(3,847)	72,803
Fund balance, beginning	155,195	155,195	155,195	-
Fund balance, ending	<u>\$ 132,195</u>	<u>\$ 78,545</u>	<u>\$ 151,348</u>	<u>\$ 72,803</u>

See accompanying notes to financial statements.

Frankenmuth City-Township Commission
Required Supplemental Information-Cemetery Fund
Budgetary Comparison Schedule
For the Year Ended December 31, 2007

	Original Budget	Final Budget	Actual	Over (Under) Budget
Revenues				
City of Frankenmuth	\$ 3,864	\$ 3,864	\$ 3,864	\$ -
Township of Frankenmuth	1,319	1,319	1,319	-
Interest	2,200	2,200	3,259	1,059
Total Revenues	<u>7,383</u>	<u>7,383</u>	<u>8,442</u>	<u>1,059</u>
Expenditures				
Wages and payroll taxes	2,584	2,584	2,696	112
Operating supplies	300	300	92	(208)
Repair and maintenance	100	170	170	-
Equipment rental	300	480	480	-
Other	100	100	-	(100)
Total Expenditures	<u>3,384</u>	<u>3,634</u>	<u>3,438</u>	<u>(196)</u>
Excess (deficiency) of revenues over expenditures	3,999	3,749	5,004	1,255
Fund balance, beginning	43,076	43,076	43,076	-
Fund balance, ending	<u>\$ 47,075</u>	<u>\$ 46,825</u>	<u>\$ 48,080</u>	<u>\$ 1,255</u>

See accompanying notes to financial statements.